



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

February 20, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
for
FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **SPECIAL SERVICES FOR GROUPS CONTRACT – A COMMUNITY
AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Special Services for Groups (SSG or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with SSG, a private non-profit community-based organization to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. SSG's offices are located in the First, Second and Fourth Districts.

SSG is compensated on a cost reimbursement basis. SSG's contract is for \$346,217 for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether SSG complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

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accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

Overall, SSG provided the required program services to the eligible participants and the Agency maintained sufficient internal controls over its business operations. However, SSG did not maintain adequate documentation to support the program eligibility for one (10%) of the ten participants sampled. Specifically, SSG did not maintain proof of income as required by WIA guidelines. In addition, SSG overbilled CSS \$1,032 for unallowable and unsupported program expenditures. Specifically, SSG:

- Billed CSS \$380 in non-WIA related expenditures.
- Did not maintain adequate documentation to support expenditures totaling \$652.

In addition, SSG did not obtain prior written approval from CSS for the disposal of property.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with SSG and CSS on January 9, 2008. In their attached response, SSG concurred with our findings and recommendations. We thank SSG for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Herbert Hatanaka, Executive Director, Special Services for Groups
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
SPECIAL SERVICES FOR GROUPS
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Special Services for Groups (SSG or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (15%) of the 65 participants that received services between July and November 2007 for documentation to confirm their eligibility for WIA services.

Results

SSG did not maintain adequate documentation to support the program eligibility for one (10%) of the ten participants sampled. Specifically, SSG did not maintain proof of income as required by WIA guidelines. SSG did not bill Community and Senior Services (CSS) for any direct services. However, the Agency may have incurred indirect costs in providing services to the ineligible individual, such as staff time.

Recommendations

SSG management:

- 1. Determine the costs incurred on behalf of the ineligible individual and repay CSS.**
- 2. Ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to their enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (15%) program participants that received services from July through November 2007. We also interviewed four participants/guardians.

Results

The four participants/guardians interviewed stated that the services the participants received met their expectations. In addition, SSG provided the services in accordance with the County contract and WIA guidelines.

Recommendation

There are no recommendations for this section.

PERFORMANCE OUTCOMES**Objective**

Determine whether the Agency met the planned performance measures as outlined in the County contract. In addition, verify the accuracy of the Performance Outcomes reported to the Workforce Investment Board (WIB).

Verification

We compared SSG's reported Fiscal Year 2006-07 Performance Outcomes to their planned performance measures outlined in the County contract and the program activities reported on the Job Training Automation (JTA) system. We also reviewed the documentation contained in the case files for four (40%) of the ten program participants reported as having completed training and/or placed in employment during FY 2006-07.

Results

Generally, the FY 2006-07 Performance Outcomes for SSG were accurately reported to the WIB and their case files contained documentation to support the program activities reported on the JTA system.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2007 bank reconciliation.

Results

SSG maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 12 non-personnel expenditure transactions billed by the Agency for July and September 2007, totaling \$9,446.

Results

SSG overbilled CSS \$684 in unallowable and unsupported expenditures. Specifically, SSG:

- Billed CSS \$380 in non-WIA related expenditures.
- Did not maintain adequate documentation to support expenditures totaling \$304.

Similar findings were also noted during the prior year's monitoring review.

Subsequent to our review, SSG provided additional documentation to support \$147 of the \$304 unsupported expenditures.

Recommendations**SSG management:**

3. Repay CSS \$537 (\$684 - \$147).
4. Bill CSS for only WIA related expenditures.
5. Ensure that program expenditures are adequately documented.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Generally, SSG maintained sufficient internal controls over its business operations. However, SSG did not obtain a business permit.

Recommendation

6. SSG management obtain a business permit.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether SSG's fixed assets and equipment purchased with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inventory and reviewed the usage of one item funded by WIA funds, totaling \$1,000.

Results

SSG did not obtain approval from CSS to dispose of the item as required. WIA guidelines require contractors to obtain prior written approval from CSS for the disposal of property. Subsequent to our review, SSG submitted a request to CSS to properly dispose of the property.

Recommendation

- 7. SSG management obtain prior written approval from CSS for disposal of property as required.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for six employees totaling \$15,639 for July 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for six employees assigned to the WIA program.

Results

SSG's inappropriately billed one employee's payroll expenditures for July 2007, totaling \$1,243 based on budgeted amounts not actual. A similar finding was also noted during the prior year's monitoring review. Subsequent to our review, SSG provided revised timecards for the one employee to adequately support payroll expenditures billed to CSS for July 2007.

Recommendations**SSG management:**

- 8. Bill payroll expenditures based on actual hours worked not budgeted amounts.**

9. **Adjust payroll expenditures for FY 2007-08 to actual expenditures and repay CSS for any overpayments received.**

COST ALLOCATION PLAN

Objective

Determine whether SSG's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and September 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

SSG's Cost Allocation Plan was prepared in compliance with the County contract. As previously indicated, SSG did not appropriately allocate shared payroll expenditures as required. As a result, we recommended that SSG management bill payroll expenditures based on actual hours worked not budgeted amounts.

Recommendation

Refer to Recommendation 8.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced SSG's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. In addition, we reviewed a sample of expenditures incurred in April, May and June 2007.

Results

SSG's FY 2006-07 final close-out invoice reconciled to the Agency's FY 2006-07 general ledger. However, SSG overbilled CSS \$495 in unsupported program expenditures.

Recommendation

10. SSG management repay CSS \$495.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on May 8, 2007.

Results

The prior year's monitoring report contained five recommendations. SSG implemented two recommendations. As previously indicated, the finding related to Recommendations 4, 5 and 8 contained in this report were also noted during our prior year's monitoring review. SSG management indicated that the Agency will implement the outstanding recommendations by June 30, 2008.

Recommendation

11. SSG management implement the outstanding recommendations.



January 24, 2008

Herbert K. Hatanaka, DSW
Executive Director

SSG PROGRAMS

*Asian Pacific AIDS Intervention
Team (APA/IT)*

*Asian Pacific Counseling &
Treatment Centers (APCTC)*

*Asian Pacific Residential
Treatment Program*

*Benefits Assistance Clients
Urban Projects (BAC-UP)*

*Census Data & Geographic
Information Services (CD&GIS)*

*Children's Dental & Outreach
Project*

*Court Referral Service Project
(CRS)*

Faith In Communities (FIC)

*Homeless Outreach Program
(HOP)/Integrated Care System
(ICS)*

Hurting & Hungry Project

*Indochinese Counseling &
Treatment Clinic*

*Occupational Therapy Training
Program (OTTP)*

*Pacific Asian Alcohol & Drug
Program (PAADP)*

PALS for Health (PALS)

*Parents Neighborhood Youth
Program (PNYP)*

*Tongan Community Service
Center*

*West Boulevard Child
Development Center*

AR2034 Mental Health Program

CONSORTIA

*Asian and Pacific Islander
Mental Health Alliance*

Older Adults Program (OAP)

AFFILIATE ORGANIZATIONS

*African American Alcohol and
Other Drug Council (AAAOD)*

*Greater West Hollywood Food
Coalition*

*LA Asian Pacific American
Heritage Month Committee*

*Orange County Asian & Pacific
Islander Community Alliance
(OCAPICA)*

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J. Tyler McCauley, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Alhambra, CA 91803

Attention: Yoon Bae, CPA
Principal Accountant-Auditor

**Re: Agency Response to Fiscal and Administrative Contract
Review of WIA Contract - Program Year 2006-2007**

Dear Mr. McCauley:

Attached is Special Service for Groups' response to the WIA Program
Monitoring Review.

Please do not hesitate to call Beth De Los Santos at (213) 553-1825 if
you need additional information regarding this letter. Thank you.

Sincerely,

Herbert Hatanaka, DSW
Executive Director

Attachments



SPECIAL SERVICE FOR GROUPS

605 West Olympic Boulevard, Suite 600, Los Angeles, California 90015 (213) 553-1800 fax (213) 553-1822

**SPECIAL SERVICE FOR GROUPS
RESPONSE TO FISCAL MONITORING FOR PROGRAM YEAR 2006-2007
WORKFORCE INVESTMENT ACT PROGRAMS**

Eligibility

Recommendation:

SSG management determine the costs incurred on behalf of the ineligible individual and repay CSS and ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to their enrollment.

Agency's Response:

SSG concurs with the finding. SSG has one more available slot under the 5% eligibility window. SSG will continue to provide uninterrupted services to this client under the 5% eligibility window.

Expenditures/Procurement

Recommendation:

SSG management repay CSS \$537, bill CSS for only WIA related expenditures and ensure that program expenditures are adequately documented.

Agency's Response:

SSG will reimburse CSS in the amount of \$537.00 to repay expenses that were disallowed. Going forward, SSG will ensure that costs are properly documented and more easily identifiable as WIA's expenses.

Internal Control/Contract Compliance

Recommendation:

SSG management obtains a building permit.

SPECIAL SERVICE FOR GROUPS
RESPONSE TO FISCAL MONITORING FOR PROGRAM YEAR 2006-2007
FOR CSS EMPLOYMENT AND TRAINING PROGRAMS
Page 2 of 3

Agency's Response:

Attached is a copy of the building permit for the WIA program site.

Fixed Assets and Equipment

Recommendation:

SSG management obtain prior written approval from CSS for disposal of property as required.

Agency's Response:

At the present time, CSS has not responded to SSG's written request regarding the disposal of the non-working equipment mentioned in the audit.

Payroll and Personnel

Recommendation:

SSG management bill payroll expenditures based on actual hours worked not budgeted amounts and adjust payroll expenditures for FY 2007-2008 to actual expenditures and repay CSS for any overpayments received.

Agency's Response:

The payroll and benefits expenses to WIA were properly billed and charged to the program. The revised timesheets were done to reflect a clearer cost center/program salary expenses based on actual hours worked.

Cost Allocation Plan

Recommendation:

SSG bill payroll expenditures based on actual hours worked not budgeted amounts.

SPECIAL SERVICE FOR GROUPS
RESPONSE TO FISCAL MONITORING FOR PROGRAM YEAR 2006-2007
FOR CSS EMPLOYMENT AND TRAINING PROGRAMS
Page 3 of 3

Agency's Response:

SSG has implemented this recommendation for the current fiscal year. Timesheets were revised to reflect actual hours worked and billed to the WIA program.

Closeout Review

Recommendation:

SSG management repay CSS \$495.00,

Agency's Response:

Attached is a copy of the June 2007 approved invoice from CSS to SSG. Please note that CSS deducted \$731 from the total invoice for disallowed expenses.

Prior Year Follow Up

Recommendation:

SSG management implements the outstanding recommendations.

Agency's Response:

SSG management has implemented a more detailed explanation of program supplies that are being ordered for the WIA program. On an ongoing basis, SSG management will review the cost allocation to ensure its validity and accuracy during the contract period.

THIS CERTIFICATE MUST BE POSTED AT PLACE OF BUSINESS

CITY OF LOS ANGELES TAX REGISTRATION CERTIFICATE

THIS CERTIFICATE IS GOOD UNTIL SUSPENDED OR CANCELLED

BUSINESS TAX

ISSUED: 01-06-01 S

ACCOUNT NO.	FUND	CLASS	DESCRIPTION	STARTED
001586-41	L	190	PROFS/OCCUPATIONS	09-23-93

19401 S VERMONT AV #A201 TORRANCE CA 90502
SPECIAL SERVICE FOR GROUPS
OCCUPATIONAL THERAPY TRAINING PROGRAM
605 W OLYMPIC BL #600
LOS ANGELES CA 90015-1475

ISSUED BY:

J. Michael Carey
CITY CLERK

NOTIFY THE CITY CLERK'S OFFICE IN WRITING OF ANY CHANGE IN OWNERSHIP OR ADDRESS — 111 N. HOPE ST, RM L68, LOS ANGELES CA, 90012
FORM 2009 (rev. 3/98) IMPORTANT - READ REVERSE SIDE



CYNTHIA D. BANKS
Director

COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY

3175 WEST SIXTH STREET • LOS ANGELES, CA 90020-1708 • (213) 738-2600 (213) 385-3893 FAX

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BOARD OF SUPERVISORS
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MICHAEL D. ANTONOVICH

SPECIAL SERVICE
FOR GROUPS

AUG 08 2007

July 17, 2007

Special Svc for Groups
605 W. Olympic Blvd, Ste #600
LA, CA 90015

RE: Contract No. 20190

Dear Project Director:

We have received and processed your Financial Status Report for the month(s)
of **JUNE/ 2007** for Wia Youth Program .

AMOUNT REQUESTED \$ 29,690.00 AMOUNT APPROVED \$ 28,959.00
A warrant(s) will be mailed for the approved amount.

Attached are copies of your approved report. Please note the changes if any, and make the
necessary adjustments to your records, as indicated.

Changes made : Yes

1. Category budget over expended - no flexibility.
2. Category is over budgeted after allowing maximum flexibility.
3. Category is not budgeted.
4. Advances/reimbursements to date are incorrect.
5. Service units/fixed rate revised per program monitor.
6. Service units in column (s) _____ are incorrect.
7. Other : Per your request **we deducted \$731** from the June invoice. This is the
amount you exceeded the line item expenditure "staff F/B"

If you have any questions, please contact Joy Muzhuthettu of my staff, at (213) 738-2737.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Pouncey".

Kathye A. Pouncey, Supervisor
Contracts Accounting